



Market in a Minute

September 29, 2020

Index Performance: As of September 25, 2020

Index	Price	Last Week	YTD
S&P 500	3,298.46	-1.3%	2.5%
Dow Jones	27,173.96	-1.8%	-4.4%
NASDAQ	10,913.60	0.6%	21.9%
Russell 2000	7,534.38	-1.4%	-10.9%
Russell 2000 Growth	7,874.40	0.8%	1.5%
Russell 2000 Value	9,467.17	-3.8%	-23.4%
Russell 1000 Growth	2,127.25	0.6%	20.1%
Russell 1000 Value	1,565.76	-2.2%	-12.7%
Shanghai SE Index	3,219.42	-1.3%	0.7%
SPDR Gold Shares	174.94	-4.1%	22.4%
GS Crude Oil Total Return	45.55	3.5%	548.9%
Powershares US \$ Index	25.55	1.5%	-1.6%
iShares EAFE Index	63.08	-2.7%	-9.2%
iShares Barclays 20+ Yr Treasury Bond	165.12	0.4%	21.9%
Utilities Select Sector ETF	58.72	-0.4%	-9.1%
Vanguard REIT ETF	77.7	-3.2%	-16.3%
iShares Mortgage Real Estate	25.46	-2.6%	-42.8%
Wells Fargo BDC	14.1	-2.1%	-31.0%
Alerian MLP ETF	19.56	-8.2%	-54.0%
iShares Global Telecom	64.69	-2.6%	5.4%
ETFMG Alternative Harvest ETF	10.42	-7.4%	-39.1%

A Word on the Market

By: Patrick Adams, CFA



This should be an eventful week, there is **a lot on the calendar**. First, the **Presidential debate** is on Tuesday. We do not expect anything new to come out of it and perhaps a net positive for the market.

On Thursday we get the all-important **ISM Manufacturing Index**, this is the best read on the economy that we know. We expect the report to be as expected, strong.

On Friday, we get the **Employment report**, we expect another strong report but below the growth rate of last month.

With the recent spike in the virus in the U.K., nothing really happened except to close the bars earlier, probably a real **crisis for some Brits**. Florida and Nevada seem to be taking off many of the restrictions. We would not be surprised to see interim data for the vaccine from one of the large drug companies. This is what the market needs.

The market has fallen for 4 weeks and has gotten **oversold**. We were right about being cautious in September. Our view of **October is more positive, but we would be foolish not to expect volatility. October can be a spooky month.**

There is chatter about a **stimulus bill** getting approved in congress, this would certainly drive the value stocks higher...we have numerous investment ideas. How to play the recovery. We believe the **REITs, Financials, and Energy will do well from very depressed levels**. We have been doing a lot of calls with the managements of REITs both equity and mortgage. We believe both sectors represent solid value and fundamentals. The **shopping center REITs, in particular, are very undervalued**. RPT Realty (RPT) is a new purchase for us, we believe fair value for their real estate is \$10 and the stock is just off the bottom of \$5.00, so around 100% upside. A more speculative stock is Cedar

BitCoin Investment Trust	11.23	0.1%	37.1%
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Source: Bloomberg & Yahoo.com, Returns are appreciation only.

S&P Sector Performance: As of September 25, 2020

Index	Price	Last Week	YTD
Information Technology	2,005.16	1.1%	24.5%
Consumer Disc.	1,183.40	-1.1%	20.3%
Consumer Staples	647.9	-2.1%	0.3%
Health Care	1,201.81	-1.2%	1.5%
Financials	391.1	-4.5%	-23.3%
Industrials	76.49	-1.4%	-8.0%
Energy	229.09	-5.9%	-49.5%
Communications Services	192.42	-2.7%	6.2%
Utilities	298.51	0.4%	-8.6%
Materials	392.92	-3.7%	2.2%
Real Estate	215.36	-2.3%	-10.1%

Source: Bloomberg website, Returns are appreciation only.

Interest Rates			
Fed Fund	.25	5-Year	0.26
3-Month	0.10	10-Year	0.66
6-Month	0.12	30-Year	1.40
2-Year	0.12		

Source: Bloomberg.com

Economic Events This Week			
29-Sep	CB Consumer Confidence	90.0	84.8
30-Sep	ECB President Lagarde Speaks		
31-Sep	GDP m/m	52.0	52.2
1-Oct	Flash Manufacturing PMI	52.5	53.1
2-Oct	Unemployment Claims	-11.0	-12.0
2-Oct	Average Hourly Earnings m/m	0.5%	0.4%
2-Oct	Non-Farm Employment Change	900K	1371K
2-Oct	Unemployment Rate	8.2%	8.4%

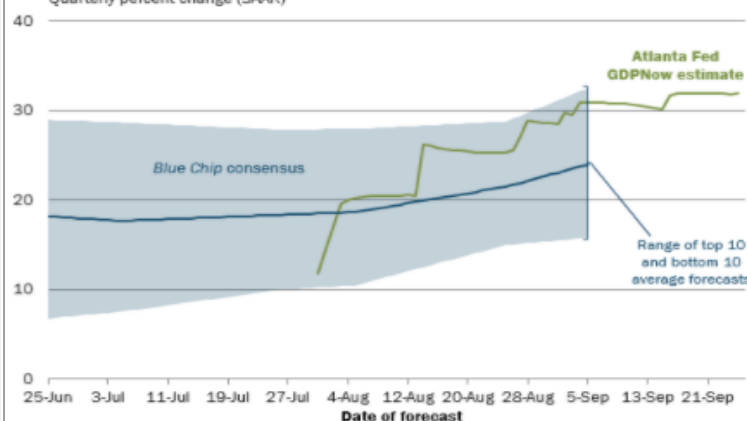
Realty Trust (CDR), the stock is \$.80, and the real estate is worth \$3.00. These are solid companies that have quality shopping centers and achieving rents of over 90% collection. The management at RPT is particularly strong.

Barron's did an article about the healthcare sector and the strong fundamentals. The focus of the article is about **getting drugs through clinical trials and approved much faster**. We believe this is a major fundamental change with lots of new products being developed quickly. **We believe we are in the early years of the Golden Age for biotech**. Part of what is driving it is database management and artificial intelligence to eliminate a lot of trial and error to develop molecules with a high likelihood of becoming drugs. There is a company, Immunome (IMNM) coming public in the next couple of weeks and our Emerging Healthcare clients will likely become invested. We believe it will be a big winner overtime, with 58 total antibodies. That is an incredible number. It would surprise us if a large drug company does not buy them.

As we look out to October, reported GDP will be very strong, likely over 30%. If there is a stimulus bill, we would expect these lagging sectors like real estate, energy, and financials to perform strongly. The market got oversold recently with a roughly -10% pullback in the S&P 500, and the sentiment is very negative with 2x the bears versus the bulls, making good news positive for stocks. **In the short-term we would expect the market to rise. With such major shifts that could occur our tactical strategies are a prudent choice for investors. The two major risks for the market are political and technology stock valuations.**

Third Quarter GDP Likely Over 30%

Evolution of Atlanta Fed GDPNow real GDP estimate for 2020: Q3
Quarterly percent change (SAAR)



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Source: Briefing.com

Economic Events Last Week

Date	Event
Sep-21	U.S. Debt leaps 58% in second quarter
Sep-23	In August existing home sales rose at fastest rate in the last decade
Sep-23	PMI data shows business activity in U.S. business increased, but at a slowing rate
Sep-24	An unexpected spike in jobless claims show rehiring is losing steam sitting at 870,000
Sep-25	New Home sales increase to highest levels since the Great Recession
Sep-25	In August durable-goods orders increased by 0.4%

Source: Briefing.com